

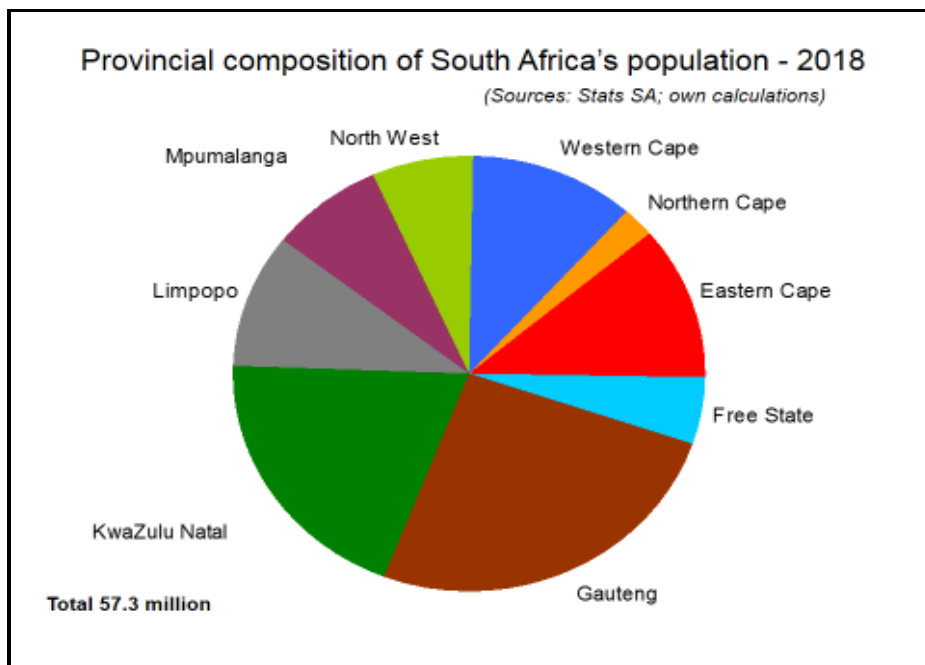
## No even keel for SA's Provinces

Dr Roelof Botha, Joint Managing Director, GOPA Group SA

6 May 2019

On the eve of the 8 May general elections for a new National Assembly and provincial legislature, it is useful to consider some key socio-economic differences between South Africa's nine provinces.

First and foremost, demographics have changed considerably since the beginning of the new millennium, with the Western Cape overtaking both Limpopo and the Eastern Cape to move into position number three for the size of the population.



Demographics are important from a business perspective, as the growth in the number of consumers provides a gauge of the market size (from the perspective of current and future demand).

In South Africa's case, changes to regional demographics should also be duly accounted for by National Treasury, as the transfer to the provinces from the national budget accounts for more than 30% of government expenditure - a whopping figure of more than R500 billion.

On this note, it should be pointed out that Gauteng and the Western Cape, which are the two richest provinces, continue to cross-subsidise the other seven provinces, by virtue of lower *per capita* provincial budget allocations than the national average.

Gauteng and the Western Cape are also the only two provinces with average annual population growth rates above 2%. The total population of the country has increased by more than eleven million people since 2002.

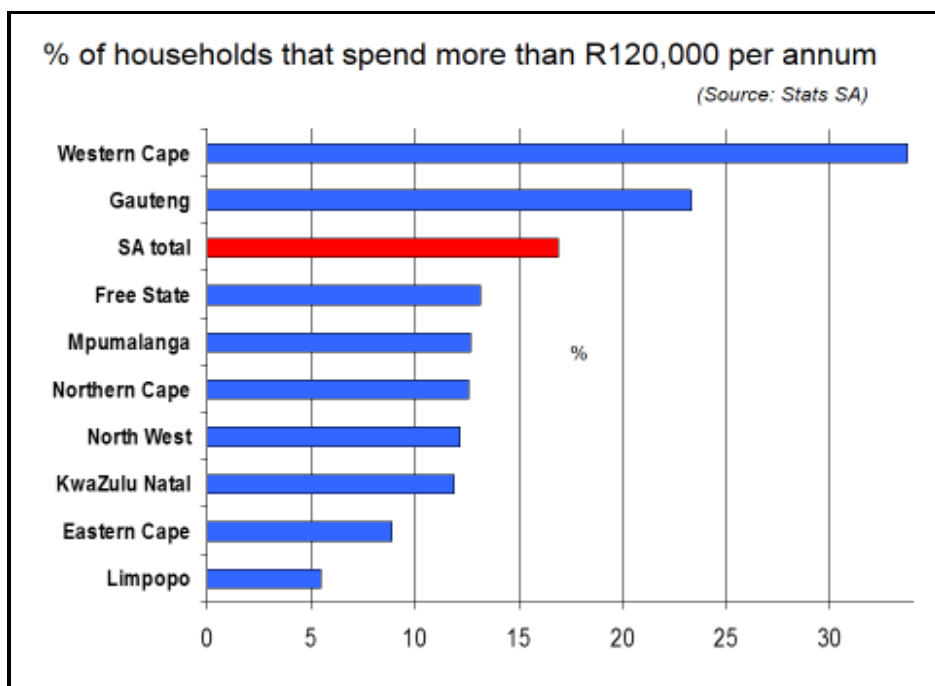
Provincial population growth rates vary considerably, with the Eastern Cape holding the dubious honour as the only province to have recorded a shrinkage, with 17,000 less people in 2018 than in 2002.

### **Popularity of the Western Cape**

In sharp contrast, the Western Cape's population expanded by 1.9 million people over this period – a fairly obvious result of migration from its eastern neighbour, as well as from other provinces.

The Western Cape is also in second place with regard to new jobs created since the end of the global recession in 2009, namely a total of 626,000. Only Gauteng has managed to create more jobs (1.4 million), which is fairly predictable, given its demographic advantage, highly diversified economy and proximity to markets in sub-Saharan Africa.

One of the most prominent socio-economic features of the Western Cape, which also serves as one of the explanations for its superior regional ranking for several other key indicators, is the fact that it has the highest percentage of households in the R120,000 per annum plus income category.



According to the latest annual Household Survey, published by Statistics SA, more than a third of the Western Cape's households spend R120,000 or more per annum (due to the fact that South Africa's individual household savings propensity is close to zero, household expenditure approximates income levels, on aggregate).

The high level of inward migration enjoyed by the Western Cape also serves as an explanation for the trends in the latest annualized house price inflation indices published by *Lightstone Property*. Over the past 12 months, the Western Cape is the only province in South Africa that has managed to record a real increase in the average repeat sales value of residential properties.

Another indicator that shines a light on internal migration patterns in South Africa may be found in the latest ranking of South Africa's municipalities, conducted annually by *Good Governance Africa (GGA)*.

### **Divergence in municipal governance**

The research and analysis uses data from Statistics South Africa, Auditor-General reports, municipal information and National Treasury, covering three areas: the quality of administration; economic development; and service delivery.

According to the GGA report, twelve of the 20 best-run municipalities in the country are in the Western Cape, with Mossel Bay and Swartland in positions number one and three, respectively.

It is time for National Treasury to consider some element of conditionality with the transfer of vast amounts of taxpayers' money to the provinces – based on the attainment of benchmarks aligned to the GGA criteria.